

ORIGINAL

NEW APPLICATION



0000107838



**SOUTHWEST GAS CORPORATION**

2010 FEB -21 P 4: 31

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

FEB - 2 2010

January 29, 2010

DOCKETED BY

*MR*

Docket Control Office  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996

G-01551A-10-0040

Subject: Application of Southwest Gas Corporation for Approval to Revise the Rate Collected through the Demand-Side Management Adjustor Mechanism

Southwest Gas Corporation (Southwest) herewith submits for filing an original and thirteen (13) copies of its Application for Approval to Revise the Rate Collected through the Demand-Side Management Adjustor Mechanism, in accordance with Decision No. 60352, dated August 29, 1997, in Docket No. G-01551A-96-0596.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: Debra S. Gallo by cmg  
Debra S. Gallo

c: Mr. Steven Olea, ACC  
Ms. Jodi Jerich, RUCO  
Ms. Janice Alward, Legal Division  
Mr. Dan Pozefsky RUCO

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

2010 FEB -2 P 4: 31

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST GAS CORPORATION  
FOR APPROVAL TO REVISE THE RATE  
COLLECTED THROUGH ITS DEMAND-  
SIDE MANAGEMENT ADJUSTOR  
MECHANISM

DOCKET NO. G-01551A-10-\_\_\_\_\_

**APPLICATION**

**APPLICATION OF SOUTHWEST GAS CORPORATION FOR  
APPROVAL TO REVISE THE RATE COLLECTED THROUGH THE DEMAND-SIDE  
MANAGEMENT ADJUSTOR MECHANISM**

**Introduction**

1. Southwest Gas Corporation hereby submits its application to the Arizona Corporation Commission (Commission) respectfully requesting approval to revise the rate collected through the demand-side management adjustor mechanism from \$0.00423 cents per therm to a credit of (\$0.00072) cents per therm. Southwest Gas believes this revision is appropriate as it best reflects the costs it anticipates incurring during the proposed rate effective period from April 1, 2010 through March 31, 2011.

2. Southwest Gas is a corporation duly organized and validly existing under the laws of the state of California and is qualified to transact intrastate business and is in good standing under the laws of the state of Arizona. Southwest Gas is engaged in the retail transmission, distribution, transportation, and sale of natural gas for domestic, commercial, agricultural, and industrial uses to approximately 1.8 million customers in the states of Arizona, California, and Nevada. Southwest

1 Gas' corporate offices are located at 5241 Spring Mountain Road, P.O. Box 98510, Las Vegas,  
2 Nevada 89193-8510.

3 3. Southwest Gas is a public utility in the state of Arizona and is subject to the  
4 Commission's jurisdiction with respect to its prices and terms of natural gas service to retail  
5 customers in Arizona pursuant to the applicable sections of Article XV of the Arizona Constitution  
6 and the applicable chapters of Title 40 of the Arizona Revised Statutes. Southwest Gas currently  
7 provides natural gas service to approximately 980,000 customers in ten counties in the state of  
8 Arizona, including Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal, and  
9 Yuma.

10 4. *Communications regarding this filing should be addressed to:*

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## 16 **Background**

17 5. The Commission issued Decision No. 60352 approving a settlement in Southwest  
18 Gas' 1996 general rate case, including the establishment of a demand-side management (DSM)  
19 adjustor mechanism, whereby Southwest Gas would file a request each year to set the DSM adjustor  
20 rate to recover the projected costs of its Commission-approved DSM and conservation and energy-  
21 efficiency programs. Staff and Southwest collaborated on a process in which Southwest would file  
22 its request by the end of January to enable Staff to perform its analysis for a rate adjustment. The  
23 revised rate is to become effective April 1 of each year.

1           6.       The currently approved adjustor rate of \$0.00423 cents per therm was approved by  
2 the Commission in Decision No. 70198 and has been in effect since April 1, 2008.

3           7.       Southwest Gas filed a request February 2, 2009 in Docket No. U-1551-09-0039  
4 seeking to revise the DSM adjustor rate effective the first billing cycle in April 2009. The  
5 Commission's Utilities Division Staff filed a memorandum March 12, 2009 recommending a rate of  
6 (\$0.00099) per therm to reflect projected 2009 DSM spending levels of \$1,250,000 and an over-  
7 collection in the DSM bank balance of \$908,918 at the end of 2008. Staff's recommendation was  
8 based upon an attempt to minimize the possibility of an over-collection in consideration of  
9 anticipated program spending levels.

10          8.       At an open meeting conducted March 31 and April 1, 2009, the Commission issued  
11 Decision No. 70959 whereby it decided not to render a decision on the merits of Southwest Gas'  
12 application and instead to hold the matter over until a subsequent Open Meeting to allow further  
13 consideration. Consequently, the Commission authorized Southwest Gas to continue to charge its  
14 2008 adjustor rate of \$0.00423 per therm until further order by the Commission. The Commission  
15 never issued another order pertaining to Southwest Gas' 2009 application.

16          9.       Following Decision No. 70959, Southwest Gas met with Staff to discuss the  
17 Commission's decision and the concerns expressed by the Commission during its deliberations.  
18 Following several discussions with Staff, Southwest Gas filed a proposal of how it believed it could  
19 increase its DSM spending to meet budget expectations. As a result, Southwest Gas filed a proposal  
20 June 11, 2009 to supplement and modify the Arizona Demand-Side Management Plan for program  
21 years 2009 and 2010 (Supplemental Filing).

22          10.      The Supplemental Filing included a request to make certain modifications to  
23 Southwest Gas' six currently approved programs and to have increased flexibility for funding the  
24

1 various programs. In addition to these proposed modifications and revisions, the Supplemental  
2 Filing also included a proposal for two new programs – a Large Commercial Energy-Efficient  
3 Boiler program and Solar Thermal Advantage Rebate program.

4 11. Consistent with Decision No. 68487, Southwest's Supplemental Filing reflected a  
5 2009 annual budget of \$4,385,000 and a 2010 annual budget of \$5,385,000, which reflected the one  
6 million dollar increase that was authorized by the Commission in Southwest Gas' most recent  
7 general rate case, Decision No. 70665.

8 12. In addition to the Supplemental Filing, Southwest Gas filed an application October 1,  
9 2009 requesting to continue its Commission-approved Technology Information Center (TIC)  
10 program that expired October 31, 2009.

11 13. The Commission has not yet rendered a decision regarding Southwest Gas'  
12 Supplemental Filing or its application to continue its Technology Information Center program.

13 **Request To Revise the DSM Adjustor Mechanism Rate**

14 14. In accordance with Decision No. 60352 Southwest Gas hereby requests to revise its  
15 DSM adjustor mechanism rate to reflect Southwest Gas' projected DSM and conservation and  
16 energy-efficiency costs of \$2,244,300 for the rate effective period of April 1, 2010 through March  
17 31, 2011.

18 15. Currently Southwest Gas has six Commission-approved DSM and conservation and  
19 energy-efficiency programs with approved budgets for each program totaling \$2,964,300. The  
20 programs and their approved budgets are as follows: ENERGY STAR® HOME program -  
21 \$350,000; Low-Income Energy Conservation program - \$650,000; Consumer Products program -  
22  
23  
24

1 \$529,300; Commercial Equipment program - \$1,000,000<sup>1</sup>; Technology Information Center program  
2 - \$35,000; and Distributed Generation program - \$400,000.

3 16. In calendar year 2008 Southwest Gas spent a total of \$939,293 on DSM and  
4 conservation and energy-efficiency programs primarily due to poor economic conditions and  
5 difficulties in getting retailers to stock qualifying energy-efficient equipment. However, in 2009  
6 Southwest Gas was able to improve participation levels in its Commission-approved programs and  
7 spent approximately \$1.4 million dollars. While Southwest Gas has made considerable  
8 improvement in spending its authorized budget levels, Southwest Gas anticipates that the poor  
9 economic conditions will continue to limit participation in its programs.

10 17. Based upon the portfolio of current Commission-approved DSM and conservation  
11 and energy-efficiency programs, combined with difficulties attributed to the current economic  
12 conditions, Southwest Gas believes it will likely spend close to \$2.2 million dollars during the rate  
13 effective period – April 1, 2010 through March 31, 2011. Given the totality of the circumstances,  
14 Southwest Gas believes \$2.2 million best reflects the projected level of DSM and conservation and  
15 energy-efficiency spending during the rate effective period.

16 18. Unless and until the Commission acts upon Southwest Gas' pending requests – the  
17 Supplemental Filing and the TIC application, and until economic conditions improve, Southwest  
18 Gas is limited to the current portfolio of programs and the approved budgets for those programs that  
19 total \$2.9 million. Accordingly, Southwest Gas believes its projected spending level of \$2.2 million  
20 is closely aligned with the total approved budget of \$2.9 million for its current portfolio of  
21 Commission-approved programs.

22 \_\_\_\_\_  
23 <sup>1</sup> The Pre-Rinse Spray Valve program concluded December 31, 2009 and was a subset of the Commercial Equipment  
24 Program. The approved budget amount of \$170,500 for the Pre-Rinse Spray Valve program is now reflected in the  
Commercial Equipment budget.

1           19.     Attached hereto as Exhibit A is the computation of the proposed rate for the DSM  
2 adjustor mechanism. As reflected in Exhibit A, Southwest Gas currently has an over-collection of  
3 \$2,026,032 as of December 31, 2009. When you include the estimated recoveries from January  
4 2010 to March 2010 of \$993,553, net of the estimated accruals for that time period of \$351,441, the  
5 total over-collection as of April 1, 2010 will be \$2,668,144. Comparing this amount to the  
6 projected DSM program costs for the upcoming year, the DSM surcharge mechanism rate per therm  
7 should be a credit of (\$0.00072) cents per therm. Southwest Gas' request minimizes the possibility  
8 of further over-collection.

9           20.     For illustrative purposes only, since the monthly gas cost amount will change in the  
10 interim period, attached hereto as Exhibit B is a proposed tariff sheet that illustrates the effective  
11 sales rate if the Commission approves Southwest Gas' proposed revisions to its DSM adjustor  
12 mechanism rate.

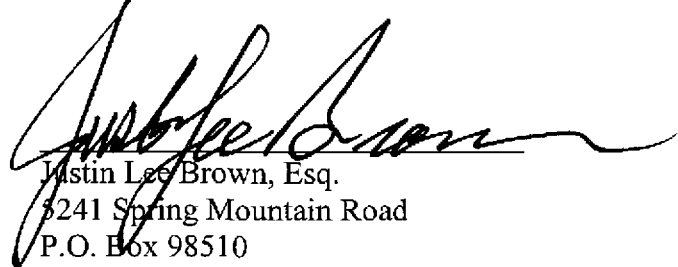
### 13 **Summary and Conclusion**

14           21.     Based upon the foregoing, Southwest Gas respectfully requests that the Commission  
15 find that \$2.2 million best reflects the projected spending level for its 2010 DSM and conservation  
16 and energy-efficiency programs for purposes of calculating the DSM adjustor mechanism rate.

1           22.     Southwest Gas further requests that the Commission issue an order authorizing it to  
2 revise its DSM surcharge mechanism rate from the current amount of \$0.00423 cents per therm to  
3 (\$0.00072) cents per therm.

4                               DATED this 29 January 2010.

5                               Respectfully submitted by,  
6                               SOUTHWEST GAS CORPORATION

7                               

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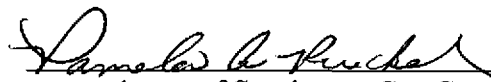
1 ORIGINAL and 13 COPIES of  
2 the foregoing filed this 21<sup>th</sup> day  
3 of January 2010, with:

4 Docket Supervisor  
5 Docket Control  
6 Arizona Corporation Commission  
7 1200 W. Washington  
8 Phoenix, Arizona 85007

9 COPIES of the foregoing  
10 served by regular mail and/or e-mail  
11 this 21<sup>th</sup> day of January  
12 2010 on:

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20  
21  
22  
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24  
  
an employee of Southwest Gas Corporation

## **EXHIBIT A**

**SOUTHWEST GAS CORPORATION  
ARIZONA  
COMPUTATION OF DSM SURCREDIT**

Line No.	Description (a)	Therms (b)	Amounts (c)	Line No.
1	2010 Projected DSM Program Costs (Pursuant to Decision No. 70665, Docket No. G-0551A-07-0504)		\$ 2,244,300	1
<u>Adjustments to calculate new DSM Surcredit</u>				
2	DSM Balancing Account Balance @ December 31, 2009		(2,026,032)	2
3	Estimated Recoveries, January - March, 2010		(993,553)	3
4	Estimated Accruals, January - March, 2010 [1]		<u>351,441</u>	4
5	Adjusted Total		<u>(423,844)</u>	5
6	Therms applicable to the DSM Surcredit [2]	587,533,292		6
7	DSM Surcredit Rate Per Therm		<u>\$ (0.00072)</u>	7

[1] 2009 Expenditures divided by 4 (See Sheet 3).

[2] See Sheet 5.

**SOUTHWEST GAS CORPORATION  
ARIZONA  
ESTIMATED DSM RECOVERIES**

Line No.	Description (a)	Projected Volumes [1] (b)	Surcharge Per Therm (c)	Estimated Recovery (d)	Line No.
1	January, 2009	97,715,589	\$ 0.00423	\$ 413,337	1
2	February, 2009	76,974,373	0.00423	325,602	2
3	March, 2009	60,192,458	0.00423	254,614	3
4	Total	<u>234,882,420</u>	<u>\$ 0.00423</u>	<u>\$ 993,553</u>	4

[1] 2009 actual volumes are used for projection.

SOUTHWEST GAS CORPORATION  
ARIZONA  
DEMAND SIDE MANAGEMENT PROGRAMS  
EXPENDITURES BY MONTH AND BY DSM PROGRAM  
FOR THE TWELVE-MONTHS ENDED DECEMBER 2009

Line No.	Description (a)	Low Income Energy Conservation (LIEC) (b)	Energy Star Home (c)	Technology Information Center (d)	Distributed Generation (e)	Commercial Equipment (f)	Consumer Products (g)	Total (h)	Line No.
1	January-09	\$ -	\$ 31,199	\$ 3,437	\$ -	\$ 3,438	\$ 7,632	\$ 45,706	1
2	February-09	-	11,503	-	-	-	16,383	27,886	2
3	March-09	192,313	27,124	25,000	-	550	794	245,781	3
4	April-09	155	9,944	-	-	1,853	1,000	12,952	4
5	May-09	992	3,750	119	-	1,163	37,978	44,002	5
6	June-09	7,545	46,923	60	150	2,153	-	56,831	6
7	July-09	42,535	8,301	-	401	589	33,568	85,394	7
8	August-09	287,316	3,299	(8,500)	-	1,000	45,000	328,115	8
9	September-09	200,000	2,967	(3,438)	700	2,539	51,875	254,643	9
10	October-09	-	29,112	132	24	559	63,439	93,266	10
11	November-09	-	15,517	-	-	786	3,343	19,646	11
12	December-09	85,625	31,006	-	3,615	15,462	55,832	191,540	12
13	Total	\$ 816,481	\$ 220,645	\$ 16,810	\$ 4,890	\$ 30,092	\$ 316,844	\$ 1,405,762	13

**SOUTHWEST GAS CORPORATION  
ARIZONA  
DEMAND SIDE MANAGEMENT (DSM) PROGRAMS  
PROJECTED COSTS BY PROGRAM  
FOR THE TWELVE-MONTHS ENDED DECEMBER 2010**

Line No.	Program (a)	Total Projected Costs (b)	Line No.
1	Low Income Energy Conservation (LIEC)	\$ 650,000	1
2	Energy Star Home	250,000	2
3	Technology Information Center	15,000	3
4	Distributed Generation	400,000	4
5	Commercial Equipment	400,000	5
6	Consumer Products	529,300	6
7	Total	<u>\$ 2,244,300</u>	7

SOUTHWEST GAS CORPORATION  
ARIZONA  
VOLUMES APPLICABLE TO DSM SURCREDIT

Line No.	January-09 (a)	February-09 (b)	March-09 (c)	April-09 (d)	May-09 (e)	June-09 (f)	July-09 (g)	August-09 (h)	September-09 (i)	October-09 (j)	November-09 (k)	December-09 (l)	Total (m)	Line No.
1	Total Therms 104,683,117	84,282,210	68,241,831	52,913,743	45,266,628	39,605,496	37,077,859	34,802,516	35,103,779	40,319,107	47,478,494	78,765,884	688,540,664	1
	Exempt Customer Contracts													
2	32003T 240,706	156,651	202,850	219,355	197,168	219,088	166,612	215,645	157,787	190,603	207,424	235,664	2,409,563	2
3	32004T 180,775	170,814	180,971	163,709	148,069	143,990	142,595	150,529	143,538	170,961	156,540	148,037	1,910,528	3
4	32019B 809,200	797,826	821,572	738,469	944,894	989,433	1,105,043	1,008,757	980,780	957,765	858,482	943,033	10,954,244	4
5	36020T 146,725	128,358	140,243	136,316	135,583	135,919	139,831	141,808	152,660	156,069	142,723	149,777	1,706,012	5
6	36026O -	135,557	164,870	185,866	251,103	383,996	425,724	408,096	407,862	375,491	270,835	271,058	3,280,258	6
7	42003T 40,164	52,593	51,685	54,031	48,447	38,769	22,757	35,363	28,876	32,756	35,977	23,515	464,933	7
8	42005T 97,826	91,101	94,965	80,162	65,404	61,885	62,297	62,729	73,582	80,560	93,279	82,781	946,571	8
9	42036B 88,040	66,156	70,684	68,474	48,238	40,171	33,142	33,512	33,476	39,031	38,493	45,418	604,835	9
10	42037B 752,525	661,896	770,954	740,193	718,678	632,629	497,658	407,189	324,288	455,896	560,391	654,985	7,177,282	10
11	42097B 252,065	249,787	288,100	254,024	251,383	267,609	229,245	254,900	244,151	231,554	230,248	262,581	3,015,637	11
12	42151T 46,783	43,488	48,267	50,634	42,427	54,598	49,534	38,352	38,551	48,359	38,284	47,355	546,632	12
13	42164T 261,835	268,906	266,994	186,689	195,693	297,513	288,286	234,137	157,221	164,348	106,226	202,897	2,630,745	13
14	44002S 179,488	166,431	179,263	177,077	152,401	180,332	157,183	187,288	188,658	183,085	182,385	200,222	2,153,793	14
15	47002T 2,030,867	1,716,891	1,525,763	1,206,336	784,026	648,277	385,097	476,252	690,590	1,301,420	1,808,101	2,450,222	14,823,842	15
16	47014B -	-	-	-	-	-	-	-	16,086	157,019	128,078	89,476	390,659	16
17	48007O 1,772,133	2,544,852	3,189,249	635,924	3,454,714	2,749,682	3,349,339	3,170,024	2,540,234	3,176,351	613,432	152,968	27,348,902	17
18	48008T 68,426	56,530	52,943	59,822	56,591	69,007	48,310	13,780	39,032	50,148	58,909	69,438	642,936	18
19	Exemptions 6,967,528	7,307,837	8,049,373	4,956,891	7,494,809	6,911,898	7,102,653	6,848,361	6,217,372	7,781,416	5,339,807	6,029,427	81,007,372	19
20	DSM Therms 97,715,589	76,974,373	60,192,458	47,956,852	37,771,819	32,693,598	29,975,206	27,954,155	28,886,407	32,537,691	42,138,687	72,736,457	587,533,292	20

**SOUTHWEST GAS CORPORATION  
ARIZONA  
MONTHLY DSM ACCOUNT ACTIVITY**

Line No.	Description (a)	Expenditures (b)	Recoveries (c)	Interest (d)	Refunds (e)	Balance (f)	Line No.
1	Ending Balance, per books, 12/31/2009					\$ (910,878)	1
2	January 09	\$ 45,706	\$ (410,996)	\$ (372)	\$ -	\$ (1,276,540)	2
3	February 09	27,886	(322,162)	(468)	-	(1,571,284)	3
4	March 09	245,781	(252,336)	(812)	-	(1,578,651)	4
5	April 09	12,952	(200,335)	(842)	-	(1,766,876)	5
6	May 09	44,002	(157,547)	(810)	(30,000)	(1,911,231)	6
7	June 09	56,831	(135,763)	(797)		(1,990,960)	7
8	July 09	85,394	(123,942)	(846)		(2,030,354)	8
9	August 09	328,115	(116,486)	(812)		(1,819,537)	9
10	September 09	254,643	(122,266)	(697)	(17,226)	(1,705,083)	10
11	October 09	93,266	(138,164)	(568)		(1,750,549)	11
12	November 09	19,646	(178,152)	(540)		(1,909,595)	12
13	December 09	191,540	(307,388)	(589)		(2,026,032)	13
14	Annual Total	<u>\$ 1,405,762</u>	<u>\$ (2,465,537)</u>	<u>\$ (8,153)</u>	<u>\$ (47,226)</u>	<u>\$ (2,026,032)</u>	14



## **EXHIBIT B**

STATEMENT OF RATES  
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES <sup>1/ 2/</sup>  
(Continued)

Description	Delivery Charge	<sup>3/</sup> Rate Adjustment	Monthly Gas Cost	Currently Effective Tariff Rate
G-80 – Natural Gas Engine <sup>6/</sup> Gas Service				
Basic Service Charge per Month:				
Off-Peak Season (October–March)	\$ 0.00			\$ 0.00
Peak Season (April–September)	\$ 125.00			\$ 125.00
Commodity Charge per Therm:				
All Usage	\$ .19069	\$ .00138	\$ .64466	\$ .83673

1/ All charges are subject to adjustment for any applicable taxes or governmental impositions.

2/ Customers taking transportation service will pay the Basic Service Charge, the Commodity Charge per Therm less the Monthly Gas Cost, and Demand Charge, if applicable, of the Currently Effective Tariff Rate for each meter included in the transportation service agreement, plus an amount of \$.00832 per therm for distribution shrinkage as defined in Rule No. 1 of this Arizona Gas Tariff. The shrinkage charge shall be updated annually effective May 1. For customers converting from sales service, an additional amount equal to the currently effective Gas Cost Balancing Account Adjustment will be assessed for a period of 12 months.

3/ The Rate Adjustment applicable to each tariff rate schedule includes the following components:

	G-5, G-6 G-20	G-10, G-11, G-15 G-25, G-40, G-45, G-55, G-60, G-75	G-80	G-30, B-1	Adjustment Date
Low Income Ratepayer Assistance	\$0.01427	N/A	N/A	N/A	May 1
Demand Side Management	(0.00072)	\$(0.00072)	\$(0.00072)	N/A	1 <sup>st</sup> Bill Cycle in April
Gas Research Fund	0.00135	0.00135	0.00135	N/A	May 1
Department of Transportation	0.00075	0.00075	0.00075	\$0.00075	March 1
Gas Cost Balancing Account	(0.08000)	(0.08000)	N/A	N/A	As Required
Total Rate Adjustment	(\$0.06435)	(\$0.07862)	\$0.00138	\$0.00075	

4/ The total monthly demand charge is equal to the unit rate shown multiplied by the customer's billing determinant.

5/ The charges for Schedule No. G-55 are subject to adjustment for applicable state and federal taxes on fuel used in motor vehicles.

6/ The gas cost for this rate schedule shall be updated seasonally, April 1 and October 1 of each year.